

Message Text

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46

ACTION NEA-12

INFO OCT-01 AF-10 ARA-11 EUR-25 EA-11 ADP-00 CIAE-00

DODE-00 PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SS-15 USIA-12 SCEM-02 OMB-01 EB-11

COME-00 INT-08 TRSE-00 RSR-01 /157 W

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R 261243 Z JUN 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2872

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMCONSUL DHAHRAN

C O N F I D E N T I A L TEHRAN 4513

E. O. 11652: GDS

TAGS: ENGR, IR

SUBJECT: OIL-- GOI CONSORTIUM NEGOTIATIONS

REF: TEHRAN 4136

1. IN ADDRESS TO GRADUATION DINNER OF ABADAN INSTITUTE
OF TECHNOLOGY JUNE 23, FALLAH ELABORATED ON CLAIM MADE IN PRESS
CONFERENCE REFTEL THAT EXERCISE OF GOI'S PRIORITY RIGHTS TO TAKE
OIL FOR DOMESTIC USE (WHICH WILL GROW RAPIDLY IN NEXT TWO
DECADES) MEANS THAT GOI WILL TAKE VIRTUALLY ALL OF DECLINING
CONSORTIUM PRODUCTION IN EARLY 90'S. FALLAH SUPPORTED THIS
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WITH CHARTS OF CONSORTIUM EXPORT AND IRANIAN DOMESTIC CONSUMPTION WHICH WHEN RECAST INTO TOTAL PRODUCTION FIGURES SHOW PRODUCTION RISING FROM 5.3 MBD IN 1973 TO 7.6 MBD IN 1977 AND STAYING AT THIS LEVEL THROUGH 1984 (WITH EXCEPTION UNEXPLAINED ANOMALY OF PRODUCTION OF 6.8 MBD IN 1979), THEN DECLINING TO 160,000 B/D BY 1993. INTERNAL CONSUMPTION WAS SHOWN AS RISING BY GRADUAL INCREMENTS FROM 284,000 B/D IN 1973 TO 4,490 MBD IN 1993. FALLAH SAID IN HIS ADDRESS THAT THESE CALCULATIONS ARE BASED ON KNOWN CONSORTIUM AREA RESOURCES OF 50 BILLION BARRELS.

2. THESE FIGURES OBVIOUSLY SKEWED TO SUPPORT FALLAH' S THESIS. CONSORTIUM AND NIOC HAVE PREVIOUSLY BEEN IN AGREEMENT THAT FORMER WOULD BE ABLE EASILY TO MEET ITS COMMITMENT OF INCREASING PRODUCTION TO 8.3 MBD BY 1976 AND WOULD BE ABLE TO HOLD PRODUCTION AT THIS LEVEL OR EVEN SLIGHTLY HIGHER FOR AT LEAST 10 YEARS. BOTH COMPANIES HAVE ALSO HAD COMMON EXPECTATION THAT THEREAFTER, BARRING NEW DISCOVERIES OR RECOVERY TECHNIQUES, PRODUCTION WOULD VERY GRADUALLY DECLINE TO 3-4 MBD IN EARLY 90' S. ALSO, NIOC AND CONSORTIUM HAVE BOTH BEEN USING FIGURE OF 60 BILLION BARRELS FOR CONSORTIUM AREA RESERVES AND IT GENERALLY AGREED THAT THIS VERY CONSERVATIVE FIGURE WHICH MAY BE INCREASED BY AS MUCH AS 20 BILLION BARRELS AS RESULTS INDEPENDENT RESERVOIR STUDIES UNDERWAY BY BOTH CONSORTIUM AND NIOC WITH HELP OF OUTSIDE CONSULTANTS.

3. COMMENT: FALLAH HAS APPARENTLY CONSTRUCTED THIS TORTURED AND DIFFICULT TO BELIEVE ARGUMENT IN RESPONSE TO HEAVY PRIVATE CRITICISM BY MANY IN IRANIAN OIL INDUSTRY, INCLUDING YOUNGER TECHNICIAN, SUCH AS THOSE IN GRADUATION DINNER AUDIENCE, THAT IRAN HAS SETTLED FOR FAR LESS THAN BENEFITS OF PARTICIPATION IN AGREEING TO TAKE SO LITTLE OIL FOR ITS OWN EXPORT MARKETING (MAXIMUM OF 1,500,000 B / D BY 1982). IT IS DOUBTFUL THAT THIS RESPONSE WILL SATISFY MANY OF THESE CRITICS. END COMMENT.
HELMS

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